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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For quarter ended September 30, 1991 Commission File No. 0-19312

MEDAREX, INC.
(Exact name of registrant as specified in its charter.)

New Jersey (State or other jurisdiction of incorporation or organization)	22-2822175 (IRS Employer Identification No.)
22 Chambers Street, Princeton, New Jersey (Address of principal executive offices)	08542 (Zip Code)

Registrant's telephone number, including area code: (609) 921-7121

Indicate by check mark whether registrant (1) has filed all reports required to be filed by section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

The number of shares of common stock, $.01 par value, outstanding as of November 7, 1991 was 4,931,300 shares.

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MEDAREX, INC.
(A Development Stage Enterprise)
BALANCE SHEETS

ASSETS	December 31, 1990	(Unaudited) September 30, 1991
Current assets:		
Cash and cash equivalents	$ 318,236	$ 11,968,871
Trade accounts receivable, less allowance for doubtful accounts of $2,750	27,083	46,275
Inventory	23,623	16,248
Prepaid expenses and other current assets	20,702	106,335
Total current assets	389,594	12,137,729
Property and equipment:		
Machinery and equipment	298,440	382,396
Furniture and fixtures	24,372	35,422
Leasehold improvements	55,132	55,132
Construction in progress	—	4,797
	377,944	477,747
Less accumulated depreciation and amortization	(147,346)	(206,977)
	230,598	270,770
Other assets	5,031	6,424
Total assets	$ 625,223	$ 12,414,923

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Notes payable	$ 100,000	$ 475,000
Trade accounts payable and accrued liabilities	51,410	81,599
Deferred income	83,333	62,500
Total current liabilities	234,743	619,099
Advance royalty from CNTS	300,000	—
Stockholders' equity:		
Preferred stock, $1.00 par value; 2,000,000 shares authorized; none issued and outstanding	—	—
Common Stock, $.01 par value; 20,000,000 shares authorized; 2,988,300 and 5,351,300 shares issued, respectively	29,883	53,513
Capital in excess of par value	942,367	13,046,112
Deficit accumulated during development stage	(859,770)	(1,301,801)
	92,480	11,797,824
Less: treasury stock at cost, 420,000 shares	(2,000)	(2,000)
Total stockholders' equity	90,480	11,795,824
Total liabilities and stockholders' equity	$ 625,223	$ 12,414,923

The accompanying notes are an integral part of these financial statements.

MEDAREX, INC.
(A Development Stage Enterprise)
STATEMENTS OF OPERATIONS
(Unaudited)

	Nine Months Ended		Three Months Ended		Period from July 15, 1987 (inception) to
	September 30, 1990	September 30, 1991	September 30, 1990	September 30, 1991	September 30, 1991
Sales					
Contract and license revenues	$ 141,133	$ 273,408	$ 43,120	$ 90,603	$ 654,903
Total revenues	681,849	728,158	277,539	63,194	2,185,369
	822,982	1,001,566	320,659	153,797	2,840,272
Costs and expenses:					
Cost of sales	15,847	38,933	5,159	13,409	93,161
Research and development	650,372	865,353	224,472	370,696	3,032,471
General and administrative	306,744	499,464	115,783	223,830	1,146,124
Operating loss	(149,981)	(402,184)	(24,755)	(454,138)	(1,401,484)
Interest income	39,696	202,596	19,989	177,054	303,776
Interest expense	(7,500)	(222,843)	(3,750)	(6,301)	(204,093)
Net loss	$ (117,785)	$ (422,031)	$ (8,516)	$ (283,385)	$ (1,301,801)
Net loss per share	$ (0.05)	$ (0.12)	$ (0.00)	$ (0.06)	
Weighted-average number of common shares outstanding during the period	2,550,800	3,484,183	2,557,800	4,931,300	

The accompanying notes are an integral part of these financial statements.

MEDAREX, INC.
(A Development Stage Enterprise)
STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Nine Months Ended September 30,		Period from July 15, 1987 (inception) to September 30, 1991
	1990	1991	
Operating activities:			
Net loss	$ (117,785)	$ (422,031)	$ (1,371,801)
Adjustment to reconcile net loss to net cash from operating activities:			
Depreciation and amortization	60,504	59,904	208,466
Non cash interest expense		180,000	180,000
Changes in operating assets and liabilities:			
Increase in trade accounts receivable, net	(2,334)	(19,242)	(46,275)
(Increase) decrease in inventory		7,375	(16,248)
Increase in prepaid and other current assets	(13,447)	(85,633)	(106,336)
Increase (decrease) in trade accounts payable and accrued liabilities	(16,597)	30,189	81,599
Increase (decrease) in deferred income and advance royalties	333,333	(320,833)	(237,500)
Net cash provided by (used in) operating activities	243,674	(570,271)	(1,238,092)
Investing activities:			
Purchase of property and equipment	(84,301)	(99,803)	(477,747)
Increase in other assets		(1,666)	(1,666)
Net cash used in investing activities	(84,301)	(101,469)	(479,413)
Financing activities:			
Cash received from shareholders in connection with purchase of Essex Medical Products, Inc. and shares of the Company's common stock			464,000
Proceeds from Initial Public Offering of common stock, warrants and redeemable warrants		11,947,375	11,947,376
Proceeds from issuance of debentures			600,000
Proceeds of bridge financing		300,000	300,000
Repayment of bridge financing		(300,000)	(300,000)
Loans from CNTS		475,000	475,000
Loan from EMP	2,000		
Payment of note payable to Essex Chemical		(100,000)	(100,000)
Advance royalty from CNTS			300,000
Net cash provided by financing activities	2,000	12,322,375	13,686,376
Net increase in cash	161,373	11,650,635	11,968,871
Cash and cash equivalents at beginning of period	333,407	318,236	0
Cash and cash equivalents at end of period	$ 494,780	$ 11,968,871	$11,968,871
Supplemental disclosures of cash flow information			
Cash paid during period for:			
Income taxes	$ 0	$ 0	$ 0
Interest	$ 7,500	$ 36,542	$ 47,792
Cash received during period for:			
Interest	$ 39,696	$ 202,996	$ 303,776

The accompanying notes are an integral part of these financial statements.

MEDAREX, INC.
(A Development Stage Enterprise)

NOTES TO FINANCIAL STATEMENTS
(Unaudited)

1. **Organization and basis of presentation**

The unaudited financial statements have been prepared from the books and records of Medarex, Inc. (the "Company") in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Interim results are not necessarily indicative of the results that may be expected for the year.

2. **Net loss per common share**

Net loss per common share is based on net loss for the relevant period divided by the weighted average number of shares issued and outstanding during the period. Stock options and common stock issuable upon conversion of warrants are not reflected as their effect would be antidilutive for both primary and fully diluted earnings per share computations.

3. **Inventory**

Inventory consists primarily of antibodies to be sold to the research community and is stated at the lower of cost or market with cost determined on a first-in-first-out basis.

4. **Cash flow information**

For purposes of cash flows, the Company considers all highly liquid securities with original maturities of three months or less to be cash equivalents.

5. **Revenue recognition**

During the three month period ended September 30, 1991, the Company recognized $62,500 of the remaining unrecognized contract revenue paid by CNTS in January of 1991. As of September 30, 1991, $62,500 of the

5. **Revenue recognition** (con't)

original $250,000 amount remains to be recognized evenly during the remaining three months of 1991.

6. **Income taxes**

The Company projects that it will not have taxable income for the year ended December 31, 1991, and accordingly, no taxes have been provided at September 30, 1991.

7. **Notes payable**

The Company has recorded $250,000 received from CNTS in January (the "January Note") and $225,000 received from CNTS in July (the "July Note") as notes payable. Under the terms of the Company's agreement with CNTS, if and when certain scientific milestones are met, these loans shall be cancelled and the sums advanced converted into revenue to the Company. Until the scientific milestones are met, the January Note will accrue interest from July 1, 1991 at the rate of 10% per annum. If the scientific milestones are not met, the January Note will be repayable in 36 equal monthly installments, including accrued and unpaid interest, commencing on January 8, 1993. The Company has notified CNTS that it believes it has met the contract scientific milestone required by the January Note. While CNTS evaluates the data, the Company will continue to accrue interest on the January Note.

Under the terms of the July Note, CNTS was to advance $250,000 to the Company. In fact, $225,000 was advanced and CNTS withheld $25,000 to pay French tax if owed on amounts advanced to the Company. The Company does not believe it has a liability for French taxes and has requested the additional $25,000 from CNTS. Interest does not begin to accrue on the July Note until January 1, 1992 on which date it shall bear interest at the rate of 10% per annum. If the scientific milestones are not met before July 1, 1993, it shall be repayable in 36 equal monthly installments commencing on July 1, 1993.

8. **Commitments**

In connection with the merger of EMP and Medarex, Medarex issued promissory notes to Essex in the principal amount of $100,000, which have been subsequently repaid, and committed to pay 20% of the Company's net after tax income until a total of $1,000,000 has been paid. At the Company's option, this obligation may be satisfied by the payment of shares of the Company's Common Stock having a fair market value equal to the amount owed, provided such shares are registered for sale with the Securities and Exchange Commission. Amounts up to $1,000,000 will be payable to Essex,

8. **Commitments** (con't)

based solely on the earnings of the Company, by March 31 of each year, to the extent of 20% of net after tax earnings of the Company realized during the preceding fiscal year.

On August 1, 1991 the Company signed a lease for corporate office space for a five year period beginning October 1, 1991. Annual rent expense is $72,500 per year, with increases of approximately 5% during years four and five.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Liquidity and Capital Resources

The Company had approximately $12.0 million in cash and cash equivalents as of September 30, 1991. Operating activities consumed approximately $570,000 of cash for the nine month period ended September 30, 1991.

On June 20, 1991 the Company sold 2,300,000 shares of common stock for $6.00 per share and 2,645,000 redeemable warrants for $0.10 per redeemable warrant in a public offering and 230,000 warrants to underwriters for $0.001 per warrant resulting in net proceeds to the Company of approximately $12 million.

To date the Company's sources of cash have been the proceeds from the sale of its securities through public and private placements, sales of its products for research purposes, technology transfer and license fees, including such fees from CNTS. CNTS has agreed to make additional payments of $950,000 to the Company in 1992, $250,000 of which will be in the form of research and development payments and $700,000 of which will be in the form of unsecured loans. Such loans are convertible at the Company's option into advance royalties under the license agreements with CNTS upon satisfaction of certain research and development milestones. While no assurances can be given, management believes that the Company will achieve such milestones and, thereupon, intends to convert such loans into advance royalty payments.

The Company's current sources of liquidity are its cash, cash equivalents, interest earned on such cash equivalents, sales of its products for research, and license and research fees. Management believes that under existing operating plans its current sources of liquidity will be sufficient to meet anticipated cash requirements for at least the next 18 months. As of September 30, 1991, the Company had commitments for approximately $57,000 of capital expenditures.

Upon exhaustion of its current cash reserves, the Company's continued operations will depend on its ability to raise additional funds through equity or debt financing and/or enter into licensing or joint development agreements, including collaborative research and development arrangements with large pharmaceutical companies pursuant to which certain costs associated with the regulatory approval process for certain of its products would be borne by the licensees or joint developers. There can be no assurance that these sales or financing activities will be successful.

Results of Operations

Nine months ended September 30, 1990 and 1991

Revenue for the nine month period ended September 30, 1991 increased by $178,584, a 22% increase from the nine month period ended September 30, 1990 due to the recognition of $120,000 in connection with the termination of a license agreement and increased sales of research products. The increase in research product sales is largely attributable to an increase in volume. The Company's cost of sales increased by $23,086 for the first nine months of 1991 as compared to the first nine months of 1990, a 46% increase. This increase was largely the result of increased sales of the Company's research products.

Research and development expenses increased by $214,981 during the first nine months of 1991, a 33% increase from the first nine months of 1990. The increase was primarily due to increased personnel costs.

General and administrative expenses increased by $192,720 for the first nine months of 1991, a 63% increase from the first nine months of 1990. The increase is primarily attributable to increased personnel costs and professional fees.

Three months ended September 30, 1990 and 1991

Revenues for the three month period ended September 30, 1991 declined by $166,862, a 52% decrease from the three month period ended September 30, 1990. The reduction in contract and license revenue, which is offset by increased sales revenue, was principally the result of a change in the method by which CNTS funds the Company's research and development efforts. Under the new arrangement funds advanced are treated as loans to the Company until certain scientific milestones are achieved at which time the loan is forgiven and the Company recognizes income. During the three month period ended September 30, 1991 the Company notified CNTS that it believed a scientific milestone had been achieved with regard to $250,000 that had been advanced by CNTS in January of 1991, (the "January Note"). While CNTS evaluates the data the Company will continue to classify the January Note as a loan. If CNTS agrees that the Company achieved a scientific milestone, the Company will recognize $250,000 of income. The Company's cost of sales increased by $8,250 during the three months ended September 30, 1991, a 160% increase from the three month period ended September 30, 1990.

The increase was largely the result of increased sales of the Company's research products.

Research and development expenses increased $146,224 during the three mont' eriod ended September 30, 1991, a 65% increase from the three mc.ith period ended September 30, 1990. The increase was primarily due to increased personnel costs and consulting fees.

General and administrative expenses increased $108,047 for the three month period ended September 30, 1991, a 93% increase from the three month period ended September 30, 1990. The increase was primarily due to increased professional fees, personnel costs and insurance costs.

Part II - Other Information

Item 6. Exhibits and reports on Form 8-K

(a) Exhibits - None

(b) Reports on Form 8-K:

Form 8-K filed on August 9, 1991 reporting the hiring of Michael A. Appelbaum as Vice President and Chief Financial Officer of the Company, and disclosing the terms of Mr. Appelbaum's employment contract.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MEDAREX, INC.
(Registrant)

Date: November 12, 1991

By. _____
Michael A. Appelbaum
Vice President and
Chief Financial Officer
(Principal Financial and
Accounting Officer)